

4:Grajdanzev--42 43

S-4

(no date) 1942

Formosans

116. 65], 177.65

Japan

636.65

"The former Chinese government was exceedingly inefficient and taxes were often paid by the farmers on one ko, where [43] actually there were two. After the Japanese survey this became impossible. The 'striking success' of the Japanese government was largely administrative; for the farmers it meant only the trebling of the land tax. As Takekoshi writes: 'To be more exact, before the survey the total area of the fields and fish nurseries was believed to be 890,000 acres which yielded ¥860,706 tax. The result of the measurement . . . shows that the real area is 1,535,163 acres, and the receipts from the land tax have jumped up to ¥2,989,287.' (1) "

1. Op. cit., p. 130.

4:Grajdanzev--45-46

S-4

(no date) 1942

Formosans

Japan

116, 241, 651, 661, 177.24

636.24

"Beneficial as these irrigation works are, in many cases they curtail the farmer's freedom to select his crops. The government often compels the farmers to raise crops which they do not want to raise (as, for example, sugar cane). Takahashi tries hard to prove that this compulsion, which in Taiwan is [46] called simply exploitation (sakushu), is to their benefit, (1) but his arguments are not convincing.

1. Takahashi, op. cit., p. 280."

4:Grajdansev--64

S-4

(no date) 1942

Formosans -1-2

116, 241, 435, 477, 651, 177.65

Japan

636.65

"Let us now investigate another aspect of sugar cane production. Takahashi, in his book on the economy of Taiwan, (1) points out that as a result of the protective duty on

1. Taiwan Keizairon.

sugar, the Taiwanese farmers receive a subsidy which amounted in 1937 to ¥802.9 per ko. Takahashi arrives at this figure in a simple way: he multiplies the amount of customs duty per kin by the number of kin of sugar contained in the yield of sugar cane from one ko. All this is a fallacy. Let us compare the following figures:

Some Data on the Question of Protection of Sugar-Cane

	Culture in Taiwan	1921	1927	1937
A. Sugar content (%)		9.5	10.3	14
B. Yield of sugar cane per ko (1,000 kin)		63.2	89.5	112.5
C. Sugar content of cane per ko (1,000 kin)		6.00	9.22	15.74
D. Value of cane per ko (yen)		696.7	537.0	506.3
E. What the farmer supposedly gets per kin of sugar content				
kin of sugar content (in sen) (D:C)*		11.6	5.9	3.2
F. Protective duty per kin of sugar, standard No. 22 (in sen)		4.7	5.3	7.2

* As was mentioned above, the price in the text is based on the official estimates of the value of the crop, though the farmer probably gets a considerably lower price.

4:Grajdanzev--64

S-4

(no date) 1942

Formosans-2

116, 241, 435, 477, 651, 177.65

Japan

636.65

But here we are interested in the trend of the prices and not in their absolute size.

In 1921 the farmer received 11.6 sen for each kin (0.6 kg.) of sugar content, in 1927 only 5.9 sen and in 1937 3.2 sen, while the protection of sugar in the Japanese empire was increasing (in 1921 it was 4.7 sen per kin, in 1927 5.3 sen, in 1937 7.2 sen). The purpose of the duty, clearly, is not so much to protect the 'poor farmer', as to safeguard the monopoly profits of the sugar companies."

116, 162, 178, 421, 651

"According to official statistics the number of payers of the agricultural land tax increased from 2,099,000 on January 1, 1938, to 2,112,000 on January 1, 1939—an increase of 13,000. How can this increase be explained when the number of families engaged in agriculture fell by 2,900? We must therefore conclude, either that official statistics are inaccurate, or that a rapid proletarianization of the agricultural population is going on. It may be—although this is only a hypothesis—that the official statistics do not include sub-tenants, a very numerous class in Taiwan. But whatever the cause, the statistics give a distorted picture of land relations on the island."

4:Grajdanzev--133-134

S-4

(no date) 1942

Formosans-1-2

116, 651, 177.65

Japan

636.65

"The sources of revenue of the government-general for the last five years are as follows:

Revenue of the Government-General in 1,000 Yen (1)

1. Including net income from monopolies, railways, communications, forests, textbooks, weights and measures, hospitals.

	1935	1936	1937	1938	1939	1940
					budget	approx. budget
	settled	accounts		budget	estimates	estimates
Taxes(a)	53,978	64,173	72,567	81,873	78,170	93,000
Net Revenue from railways, commun.	12,395	12,888	13,296	16,904	15,250	—
Loans (b)	—	—	—	—	6,400	6,000
Others	5,834	7,007	6,564	9,397	8,420	—
Surplus from the preceding year	29,441	32,605	41,833	46,392	18,373	25,934
Total	101,648	116,673	134,260	154,566	126,613	—

a) Including net profits of monopolies and receipts of stamp duty.

b) Loans were often floated by the government-general before 1939, but were not

4:Grajdanzev--133-134

S-4

(no date) 1942

Formosans-2

116, 651, 177.65

Japan

636.65

included in the general budget because they were made for special purposes. This item, however, represents a deficit. The debt of the government-general, at the beginning of 1939, probably stood at about Y 94 million.

Insofar as the 'surplus from the preceding year' cannot be considered as an independent source of revenue, it is clear that the greater part of the revenue of the government comes from taxes (including fees and fines). If we add the taxes to be collected by the provinces and municipalities, the total amount [134] of revenue from taxes was 124.3 million yen for 1938 and 122.5 million yen for 1939--large amounts for an oriental island, agricultural in character, and with a population of only six millions(2). Compared with

2. An official investigation of farmer's budgets made in 1936 revealed that direct taxation of farmers in Taiwan is twice as high as in Japan (Nasu, op. cit.).

1935 the amount of taxes to be collected from the population in 1938 increased by 52%, and this increase was resumed in 1940 and 1941."

4:Grajdanzev--134-136

S-4 (no date) 1942

Formosans-1-5

116, 434, 565, 651, 177.65

Japan

636.65

"Taxes may be of different types--some falling chiefly on the rich, whose ability to pay is, of course, greater than that of the average farmer. We do not have necessary information for a detailed analysis of how the tax burden is distributed between these two groups, but what is available gives clear indications. We have divided the taxes into two groups: (a) taxes on the recipients of large incomes; (b) taxes on the masses.

Taxation and Net Monopoly Receipts in 1,000 Yen

A. Taxes on the recipients of high incomes:

	1935	1936	1937	1938	1939
		settled accounts		budget	budget estimates
Income Tax	3,873	5,285	9,538	13,024	12,395
Tax on capital		5	189	352	855
Mining Tax	200	203	291	353	327
Special profit tax	1,016	1,575	2,761	4,979	2,444
Tax on distribution of dividends		335	425	394	850
Inheritance tax			105	279	305
Total	5,089	7,403	13,309	19,381	17,176

4:Grajdanzev--134-136 S-4 (no date) 1942

116, 434, 565, 651, 177.65
636.65

Formosans-2
Japan

B. Taxes on the masses of the population:

	1935	1936	1937	1938	1939 budget estimates
	settled accounts			budget	
Land tax	7,492	7,742	7,938	8,342	8,342
House tax					1,312
Business tax a)			2,931	3,290	2,726
Tax on sugar	3,320	3,461	4,050	6,702	5,215
Tax on alcohol b)	3,698	3,845	2,913	169	100
Taxes on other commodities	2	177	275	393	826
Customs duties and other duties connected with them	2,611	3,326	2,574	1,846	1,817
Stamp duty	5,107	7,271	7,220	7,653	5,926
Monopolies, net receipts	24,555	28,968	29,652	32,845	32,568
Net profits from text-book sales c)	103	29	75	74	24

4:Grajdanzev--134-136 S-4 (no date) 1942

116, 434, 565, 651, 177.65
636.65

Formosans-3
Japan

[135]	1935	1936	1937	1938	1939
	settled accounts			budget	budget estimates
Profit on weights and measures d)	179	209	206	331	341
Fines and confiscations e)	1,091	529	224	362	224
Tax on railway fares				205	202
Admission ticket tax				116	124
Tax on construction					152
Amusement tax					188
Other taxes	731 f)	1,213 f)	1,200 f)	164	907
Total	48,889	56,770	59,258	62,492	60,994
The same as percentages of total					
Group A.	9.4	11.5	18.3	23.6	22.0
	90.6	88.5	81.7	76.4	78.0

a) We include business taxes in this group because it is legitimate to suppose that they are shifted by the business men to the population.

b) The fall of receipts from the tax on alcohol in the last two years is due to the introduction of a state alcohol monopoly.

4:Grajdanzev--134-136 S-4

(no date) 1942

Formosans-4

116, 434, 565, 651, 177.65

Japan

636.65

c) Formally this is not a tax, but a surplus remaining after deduction of expenditures on printing of textbooks from receipts. However, state profits derived from the sale of textbooks to school pupils hardly can be considered otherwise than a tax.

d) As in the preceding item this represents a surplus from a form of fiscal monopoly.

e) Formally fines and confiscations are not taxes. But their regularity (they are foreseen in the budget) and their amounts show they are not 'casual' receipts. They fall, mainly, on the Chinese population.

f) Chiefly receipts from the taxation of surplus issues of Bank of Taiwan notes.

From this table it may be seen that about 80 to 90 percent of the taxes fall on the masses of the population and only 10 to 20 percent on the wealthier groups. The percentage of taxes contributed by the well-to-do rose from 9.4 in 1935 to 22.0 in 1939, but it would be a mistake to suppose that this implies a change of policy: the exigencies of war-time and the already oppressive burden of taxes on the masses make it more and more difficult to increase that burden. Under these conditions, heavier taxation of the rich is a necessity, but the government prefers to borrow from them, not to tax them: the loans amounted to six million yen in 1939 and are expected to amount to 17 million yen in 1941.

The actual tax-burden on the masses as compared with the wealthy is considerably

4:Grajdanzev--134-136 S-4

(no date) 1942

Formosans-5

116, 434, 565, 651, 177.65

Japan

636.65

greater if we include provincial and [136] local taxes. We have no data on the exact distribution of local taxes, but provincial taxes can be measured. Provincial taxes are surtaxes, calculated as a percentage of the corresponding government-general taxes.

Their rates are as follows:

Surtax on income tax	18%	of income tax
Surtax on land tax	90-100%	of land tax
Surtax on business tax	70-80%	of business tax
Surtax on house tax	120-150%	of house tax

These rates show that surtax on income tax (which falls chiefly on the recipients of high incomes) is only 18%, while surtaxes on taxes falling on the masses of population range from 70 to 150%."

4:Grajdanzev--136-137

S-4

(no date) 1942

Formosans-1-2

116, 651, 177.65
636.65

Japan

"The special tax is a combination of property and income tax, but it cannot play an important part in local taxation in Taiwan because as a rule the recipients of large incomes in Taiwan do not live there--their residences being in Japan proper. Consequently this tax falls chiefly on the middle and lower brackets, so that the chief burden of local taxation falls on the masses to an even greater degree than in the case of the taxes of the government-general.

We cannot calculate the general incidence of taxation in Taiwan, but we can get an idea of the burden it represents in the following way: land taxes in the 1939 budget total about 22,350,000 yen (1). In this figure are included taxes on improved land, forest land, fish

1. This figure is arrived at as follows: (a) the land tax of the government-general is 8,342,000 yen; (b) the provincial land tax is 7,805,000 yen; (c) we have no figure for the local land tax, but we assume that the relationship is about the same as in Japan proper, which would give a figure of 6,200,000 yen. Thus the total amount of taxes on land is about 22,350,000 yen.

ponds, and other land to the amount of [137] 3,060,000 yen (2). Thus, 19,280,000 yen are

2. The taxes of the government-general on lands of this kind amount to 1,143,000

4:Grajdanzev--136-137 S-4 (no date) 1942

Formosans-2

116, 651, 177.65

Japan

636.65

yen. but insofar as provincial and local taxes bear a definite relation to the basic tax, the total is estimated to be about 3,060,000 yen.

paid on 856,900 ko of taxable land, i.e. 22.5 yen per ko. Since the agricultural population of the islands represents about 60% of the total population, the average amount of land per person in the agricultural population of Taiwan is about 0.37 ko (about 0.9 acres). A tax of 22.5 yen per ko is equal to one and a half to two months' wages of an agricultural worker (3); and the levy on land is only one among many taxes.

3. Daily wages of an agricultural worker are about 0.80 sen; monthly, 8 yen to 18 yen. Source: Taiwan Jijo.

But as was mentioned above, it is important to know for what purposes the sums collected are applied. The harshness of taxation may be mitigated by beneficial ways of spending the revenue."

15: U.S. Navy--29 [4]
116, 364, 651, 656, 177.65
636.65

(no date) 1944

Formosans
Japanese

"The Japanese have enforced rigorously a system of household registration. At the door of each dwelling there is displayed a plaque bearing the name of the head of the house. Near it are pertinent receipts or certifications received from the police which testify to registration at the nearest police station, house-inspection and approval, vaccinations or inoculations required of all members of the household, certain tax receipts, and such other data which the police may require from time to time to be displayed in a public and easily checked place. In the cities small insignia or notices indicate the public utilities available in each house."

15: U.S. Navy--31 [9]
116, 466, 651, 177.65
636.65 —

(no date) 1944

Formosans
Japanese

"The hoko system of mutual responsibility within households and local communities is under closest police supervision and control. Through it the government can demand and receive contributions both of hours of labor and of taxes in kind. Close check can be kept also on all labor unrest and agitation."

15: U.S. Navy--33 [2]
116, 651, 241, 177.24
636.24

(no date) 1944

Formosans
Japanese

"Compulsory service takes an indirect, though, no less effective form in the forced contribution of produce. For instance, a village headman notifies the farmers that their district is expected to provide a certain quota of hay for army horses, which must be forthcoming by a certain date. Castor beans are another example. By requiring this crop (which has no value in the economy of the individual farmer) the production has increased from 126,893 pounds in 1936 to 4,148,364 in 1938, which represents an impressive labor contribution. Through this method a goal of 23,000,000 pounds has been set for 1949. Each year more time and more labor and more space must be given to producing castor oil for the air service. Each household tends a few plants from which the children carry the beans to school for collection. In many instances no compensation is given for the produce, and in the instances where compensation is given, it is wholly inadequate to reimburse the costs of production."

40: Kirk--19 [2]

S-2

(no date) 1941

Formosans

116, 651, 177. 65

Japanese

"Money contributions are made through the chokai (municipal system) and the hoko (the rural system). The government raises considerable sums also by promoting 'one vegetable' meals and soliciting the savings of the frugal peasants. 'One house-one thing' campaigns have brought thousands of yen to the colonial treasury from the sale of goods which patriotic Taiwanese have contributed from their scanty store of personal effects. The overburdened farmers frequently find that the government has made a levy on their crops; and, in addition, they feel obliged to make contributions of animals, fruit, vegetables, and currency to help maintain the Japanese soldiers abroad. "

642 The Chinese Constitution provides that the people be given the right to existence, the right to work, and the right to own property.²⁰ The right of existence implies that the people shall be guaranteed a minimum standard of living. As to the right of work, the state shall provide opportunity of employment to the people who are capable of work, commensurate with their capacity and ability, so that they may render their services to the community and support themselves.²¹ The state shall accord special protection to working women and children who work (Article 153) and shall give assistance and relief to the aged, the infirm, the disabled, and the victims of natural calamities. To promote social welfare, the state shall put into operation a Social Insurance System (Article 155).

651 No one shall be arbitrarily deprived of
408 his property. However, privately owned land
642 and other property are liable to taxation. If any land has an increase in value, through neither the exertion of labor nor the employment of capital, the state shall levy thereon an increment tax, the proceeds of which shall be used for public welfare.²² The government

20. Ibid., Article 15.

21. Ibid., Article 152.

22. Ibid., Article 143.

642 may regulate the distribution of land in the
 651 interests of the tiller-owner and tenant-
 428 cultivators and may limit the amount of land
 ownership. 23

642 Under the Chinese Constitution, any
 694 citizen has the right to present petitions to
 file complaints, or to institute legal proceedings.
 The Law of Petition was promulgated on
 December 18, 1954. It provides that a person
 has the right to voice his opinion concerning
 the policy of the government on matters of
 public interest to the representative agency or
 a competent authority, but the petition must
 be in written form and must not interfere with
 the exercise of judicial functions. 24 Any
 citizen may file a complaint against a wrongful
 decision on the part of a government body. The
 prescribed procedure is for the injured party
 to bring his complaint to a higher government
 body such as the provincial government, if
 the case is caused by an administrative act on
 the part of a hsien or a municipal government.

23. Ibid., These provisions are inserted
 in accordance with the equalization of land
 ownership, one of the basic policies of Dr.
 Sun Yat-sen.

24. Law of Petition, 1954, Articles 2-6.

423 (0.248 acre) of urban land. Any excess portion should be sold in two years, after which period the hsien or municipal government could expropriate it at the assessed value. The area of urban land devoted to industrial use shall be determined according to the requirement in each case.²³

423 As to taxation, the higher the price of
651 the land, the heavier will be the tax. The minimum is 1.5 per cent and maximum, 6.5 per cent. The land value increment tax is levied at the time of any transfer of ownership or at the completion of a ten-year period. Any increase of value from previous transfer shall be taxed progressively from 30 per cent to 100 per cent.²⁴

423 It is estimated that 10,000 hectares (24,700 acres) of urban land throughout the province will be affected by the new regulations.²⁵ The steady growth of population, better communication facilities, and more prosperous industry and commerce have caused a great
[455] advance in land price. Urban land has become the object of speculation. The need for reform of urban land is as evident as the need for reform

23. Article XXXIV and XXXV, Regulations Governing the Equalization of Urban Land Ownership.

24. Ibid., Articles XX and XXI.

25. United Nations, Economic Survey of Asia and the Far East, 1954, Bangkok, Feb. 1955, p. 89.

Annex "A," Subparagraph 3c,
Economic Background

TAXATION AND BUDGET

65) The system of taxation in Formosa has undergone considerable reform since the restoration of Chinese rule. The number of categories taxed under the Japanese has been reduced from 30 to 15 and the system of tax collection has been simplified.¹ In June 1951, taxes collected in the province were classified as national, provincial, or local (hsien or municipal). The national, provincial, and local governments have independent budgets.

National taxes include customs duties, taxes on salt and other commodities, taxes on income and inheritance, a stamp tax, and a defense tax.

Customs duties and the salt tax are collected directly by the central government. Customs duties consist principally of import duties and tonnage dues; the former is levied on dutiable imported commodities, the latter on ships which call at Formosan ports. The provincial government also levies a harbor reconstruction tax, a 2 per cent ad valorem

1. Lih-wu Han, Taiwan Today, Taipei, Aug. 1952, p. 67.

- 65) charge upon all non-exempt import cargo. The proceeds of this tax are forwarded to the provincial treasury. Articles imported for military use, for relief, or for educational or research purposes are exempted from import duty. And customs duties are not levied on the personal effects and supplies imported for use by diplomatic officials and personnel of the administrative agencies of American aid and military missions to Formosa.

The collection of customs duty is the single largest source of income for the central government. In 1954, customs duties amounted to NT \$611,022,015² There are two customs districts in Formosa - Taipei and Tainan. Sungshan airport is under the administration of the Taipei customs district.

68) Because of the government control on
1139 foreign trade, which forbids the importation of luxury items, smuggling is rampant. In 1954, fines amounting to NT\$4,683,485 were collected.

651 The salt tax was once the most important tax on the China Mainland. In Formosa,

2. The official exchange of Formosa currency in 1954 was NT\$18.78 to US\$1 and the market rate averaged NT\$27.50 to US\$1.

- 65) however, the bulk of salt produced is for export and is exempt from taxation.³ Annual domestic consumption amounts to only 90,000 metric tons. In July 1953, the tax on table salt was fixed at NT\$1,630 per metric ton; the tax on salt used by fisheries was fixed at NT\$815 per metric ton. No tax is levied on salt used for agricultural and industrial purposes. In 1954, salt taxes yielded NT\$90,517,419 to the central government.⁴

The tax on commodities are taxable on an ad valorem basis, regardless of whether they are domestic or imported goods:⁵ cement, 15 per cent, cotton yarn, 5 per cent; woollen thread and yarn, 15 per cent; matches, 10 per cent; non-alcoholic beverages, 30 per cent. Taxes on refined sugar (35 per cent) and brown sugar (28 per cent) are collected in kind.⁶

Commodity tax rates are revised from year to year. The percentages given above

3. In 1954, 217,438 metric tons (239,183 short tons) were exported to Japan and Korea.

4. Statistical Monthly, published by the Salt Administration, Taiwan Provincial Government.

5. Commodity tax over and above the import duty is levied on imported goods.

6. Chung-hua Min-kuo Nien-chien [Year-book of the Republic of China], Taipei, 1954, p. 147.

65/were in force in 1953-54. Commodity tax receipts increased from NT\$160, 516, 397 in 1953 to NT\$305, 970, 787 in 1954.

The income tax, inheritance tax, and the stamp tax are administered by the provincial government and their receipts are shared by all levels of government in the following manner:

	Income Tax	Inheritance Tax	Stamp Tax
Central			
Government _____	80%	20%	50%
Provincial			
Government _____	10%	30%	20%
Local			
Government _____	10%	50%	30%

Income tax is classified as scheduled income tax and as consolidated income tax. Scheduled income tax is divided into five categories, depending upon the source of income. The rates levied are: 5-50 per cent, on a progressive schedule, for income derived from commercial and industrial undertakings; 1-2 per cent on fixed salaries and remuneration for professional services; 3 per cent on income from interest; 6 per cent on income from rental property; and 15 per cent on incidental income, including grants, gifts, and money won by lottery.

651 The total amount of income tax collected in Formosa in 1954 was NT\$306,464,916, comprising 7.6 per cent of all revenues of the island.

The stamp tax is levied on all invoices, bills, vouchers, contracts, and other documents bearing a face value of NT\$9 or more. The rate varies, depending upon the nature of the documents.

Inheritance tax is collected on estates valued at NT\$50,000 or more. On estates valued at NT\$50,000 to NT\$70,000, 1 per cent is charged. On estates valued at more than NT\$70,000, a 3 per cent tax is collected on that portion between NT\$70,000 and NT\$100,000; 6 per cent on that portion between NT\$100,000 and NT\$150,000; 10 per cent on that portion between NT\$150,000 and NT\$250,000; 16 per cent on that portion between NT\$250,000 and NT\$400,000; 24 per cent on that portion between NT\$400,000 and NT\$600,000; 30 per cent on that portion between NT\$600,000 and NT\$900,000; and 40 per cent on that portion between NT\$900,000 and NT\$1,200,000. On estates valued at NT\$1,200,000 or more, an inheritance tax of 60 per cent is charged on that portion over NT\$1,200,000. Sixty per cent is the ceiling rate for inheritance tax.

45:Stanford U. S-4, 5 1956 AD1 Formosa
AD1 AD1

65) In 1954, revenue from the stamp tax amounted to NT\$157,387,218; the revenue from inheritance tax was only NT\$1,733,238.

The defense tax is a surtax on other taxes, at varying rates. For example, there is a surcharge of 50 per cent on motor vehicle licenses, and there is a defense surtax of 30 per cent on business taxes. An electric-power tax, which is an item of defense tax, is levied on the consumption of electric energy. For industrial users, the tax represents 10 per cent of the total electric bill; for non-industrial users, the electric-power tax is 30 per cent of the total bill. The total revenue derived from the defense tax amounted to NT\$623,141,480 in 1954.

The provincial taxes include land tax, business tax, and household tax. Land tax is collected in kind in the case of grain and in cash in the case of other produce. The grain collected is delivered to the armed forces by the provincial food bureau on behalf of the Ministry of Finance and is also rationed to civil servants. The provincial government keeps a steady supply of food not only for military and civilian consumption, but also to stabilize food prices. The value increment of urban land is taxed on a progressive scale. Land tax in Formosa in 1954 totaled NT\$248,622,140

- 66/a part of which was allotted to the local governments as subsidy from the provincial government.

Business tax is levied either on the volume of business or the net profit according to the nature of the business. The rates of taxation vary from 1.5 per cent to 6 per cent. Household tax is levied on assets of individuals and corporations valued over NT\$3,000. The rate is 0.5 per cent of the total value. The revenue from business tax in 1954 was NT\$127,108,309 and from household tax was NT\$179,454,138.

65/ The most important items of revenue
65/ for the provincial government are the profits from tobacco and wine monopolies. During the Japanese occupation, direct taxation provided less than 20 per cent of governmental income.⁷ The major portion was derived from government-owned properties and undertakings. Government monopolies covered salt, camphor, opium, tobacco, matches, and petroleum.

7. In 1930, a year of normal prewar activity, out of a total revenue of ¥ 105,453,789, only ¥ 18,316,545 was raised by direct taxation.

65/ Their profits accounted for fifty per cent of
655 the total revenue. Now under the Chinese only
wine and tobacco monopolies remain. Until
1953, all the income from the monopolies went
to the provincial government. Since then a
part of the profits is forwarded to the central
government. Monopoly profits in 1954
amounted to NT\$866, 571, 260.⁸

65/ The taxes collected by local government*
in 1954 were as follows:

House Tax _____	NT\$ 82, 990, 410
Slaughter Tax _____	NT\$183, 008, 444
Vehicle and Vessel	
License Tax _____	NT \$ 38, 064, 145
Entertainment and	
Amusement Tax _____	NT\$ 38, 373, 143
Title Deeds Tax _____	NT\$ 25, 130, 005

* Statistical Abstract of the Republic of
China 1955.

Government revenues have been steadily
increasing since 1950 as evidenced by the

8. Actual monopoly profits received by the
provincial government in the fiscal year
1954-55 were NT\$820, 000, 000.

45:Stanford U. S-4, 5 1956 AD1 Formosa
~~AD1~~ AD1

65/following statistics; a great extent of the
increase, of course, only reflects the
continuous depreciation of the Chinese currency.

Tax Collection and Monopoly Profit, 1950-54
(in NT\$)*

651

	Tax Collection	Monopoly Profit	Total
1950	709,671,711	174,158,146	883,829,857
1951	1,187,046,304	326,270,067	1,513,316,371
1952	1,988,836,074	547,753,227	2,536,589,301
1953	2,387,977,534	710,917,014	3,098,894,548
1954	3,173,685,192	866,571,014	4,040,256,452

* Statistical Abstract of the Republic of China 1955.

CHAPTER II

"Economic Development" in Taiwan

648 RULING TAIWAN was a task that the Japanese approached with high
 433 hopes. Because their goals were ambitious, the problems were more
 formidable than they might have been with a more modest and con-
 ventional colonial program. Their officials in Taiwan were the first
 overseas administrators in the Empire, and felt a responsibility to
 make the colony appear worth while at home.¹ Whatever their wider
 aims, their strongest aspirations for the island expressed themselves
 in energetic economic policies—policies pursued with such determi-
 nation that they profoundly altered many aspects of Taiwan's eco-
 nomic life. In the course of their administration, Japanese nationals
 came to look upon enhanced production with a two-fold purpose: to
 secure profits for certain individuals and groups, and to promote the
 self-sufficiency and military strength of the Empire.

Here we shall examine the techniques of their economic program,
 survey its operation, and endeavor to make some appraisal of the
 accomplishments. A closer view of its significance for the everyday
 affairs of the population is reserved for the next chapters.

241 The situation that the Japanese first encountered in Taiwan was
 433 one of long-established tradition, in which a small amount of inno-
 vation could go a long way. Agriculture was the main source of live-
 lihood for practically all Taiwanese. The particular manner in which
 farming is organized in Taiwan tends, as it does in most of the Far
 East, to shield it from the intrusions of the modern world. Under
 the Manchu regime the Chinese inhabitants of Taiwan had de-
 veloped farming along the familiar lines of their forebears on the
 China coast. Farms existed on a local village scale and were operated
 • [65] for local subsistence. Most of any exportable surplus of production
 [42] was removed from the villages in the form of taxes or rent. What was
 left became absorbed in the costs of civil disturbance, misgovern-
 ment, and expansion of settlement, rather than going toward broad-
 ening commercial or other opportunities of the cultivators themselves.
 433 Whatever may bring about such a situation, it is one that tends to

¹ Most of the later Japanese publications about Taiwan's future also stressed the island's potentialities as a base for southward expansion of the Empire. The grandeur of these proposals suggests that some of them may have been invented in search of favor for their authors more than in serious expectancy of being carried out.

"ECONOMIC DEVELOPMENT" IN TAIWAN

471 was a newly settled land whose surface still showed little strain of
 433 intensive clearing and cultivation, and whose manifest possibilities
 648 for wider exploitation in agriculture and other lines had scarcely
 been tapped. Merely imposing public order and effective political
 administration could hardly have failed to ensure general prosperity,
 and the Occidental community at the time contemplated the experi-
 ment with great interest.

The new authorities did not leave much room for doubt about
 their intentions for the economy. Even while engaged in some dis-
 sension and maneuver for power between their own civil and mili-
 tary officers, they quickly set about constructing railroads as a state
 enterprise, reinstituting an official monopoly of camphor (amounting
 to a world monopoly since Taiwan with Japan was the sole important
 world producer), nurturing one large company for practical research
 and experiment in sugar production, reviving the former domestic
 monopoly of salt, and executing a complete and accurate land sur-
 vey—Taiwan's first—in order to regulate some of the discordant re-
 lations of tenancy among farmers and landlords.

Most of the administrative changes were based on a notorious need
 for reform of pre-existing practices. But all of these reforms were
 two-edged. Besides regularizing commercial practices and "correct-
 ing abuses," the official monopolies and export associations slowly
 made it impossible for foreign concerns to remain in operation. The
 revenues from key lines of business soon became centralized in either
 the Government-General or corporations explicitly controlled by it.
 Those relations began to appear between state and business that de-
 termined the future course of the fields involved. The land survey
 furnished a basis for levying a stiff land tax which brought forth a
 gratifying and dependable flow of revenue into the public treasury
 and helped to finance later development schemes.

648 If the overall design of economic expansion had been fixed in the
 minds of influential Japanese even before they took possession of
 Taiwan, and to some extent this seems likely, its timetable was not.
 They did not foresee, for example, that almost ten years of costly
 and arduous military campaign would be needed to subdue the ab-
 origines and thousands of Taiwanese in the lowlands and foothills
 who had reverted to banditry. And it became apparent only after
 many Japanese lives had been forfeited to sickness that this "pacifica-
 tion" of the island had to be accompanied by full-fledged warfare
 against disease and a general sanitation program, in order that enough

of 305,400 metric tons) and that of industrial salt to 67,000 metric tons (as compared to peak production of 485,000 metric tons). The production of chemical fertilizer (23,800 metric tons before the war) had come to a halt. Tea processing plants and pineapple packing plants stood deserted. In short, by V-J Day the ravages of war, materials shortages, and lack of maintenance had almost paralyzed the industry of Taiwan. The railroads had worn out no less than 1400 steel bridges which had to be classified as unsafe to use.

After V-J Day, rehabilitation work on the railroads was given a high priority. Eroded steel bridge spans were removed, worn-out sleepers and rails were replaced, road beds were reconditioned. Today, passenger traffic exceeds the peak load of the prewar period; freight traffic, after tripling itself in one year, is approaching prewar peak.

Rehabilitation of the power system made great demands on the ingenuity of the available Chinese engineers. Little foreign exchange was available with which to buy needed replacements, so that the repairs had to be accomplished by reworking obsolete and broken equipment scattered about over the island. Through tedious patching and repairing operations, and the acquisition of a few spare parts that could not be improved, they tripled generating capacity in two years. By 1951, capacity had reached an all time high of 217,000 KW. Today coal (1,451,000 metric tons in 1953), cement (300,000 tons in 1951), chemical fertilizers (more than three times prewar production), petroleum, cotton yarn (three times Japanese peak production) and cotton piece goods (four times Japanese peak production) have all surpassed prewar production figures.

The sugar industry, which, as in the past, is Taiwan's most important source of foreign exchange, has done less well by comparison with prewar standards, but not, or at least not primarily, because rehabilitation operations failed to be carried out. In 1945, 27 of 86 plants stood seriously damaged. By 1948, all the factories and plantation railways had been completely rehabilitated, and by 1950 sugar production had climbed back to 680,000 metric tons. The Taiwan Sugar Corporation's capacity is now over one million tons a year. In 1948-50, however, sugar dropped in price on the world market, and farmers turned from sugar to rice. In 1951-53, the world market price began to rise, and sugar production is gradually returning to its previous high levels.

Paper and pulp mills, machinery shops, shipbuilding, and aluminum works have, likewise, been gradually restored. Another worthwhile project has been the development of a fishery industry which has improved the Taiwanese diet (including that of the Nationalist Army) without great expenditures. American economic aid has played an important role in the rehabilitation and development of all these industries.

A labor insurance policy was put into effect on 1 March 1950. Its object is described as "safeguarding the livelihood of the workers and promoting harmonious relations between labor and management so as to ensure social security and high production." According to the Labor Insurance Regulations, all workers employed in public and private factories, mines, salt fields, communications, and public utilities in Taiwan shall be insured. It is compulsory labor insurance on a limited scale. The benefits are insurance against injury, death, maternity, disability, and old age. It also has provision for free medical clinics. This new system of social insurance was put into effect with the cooperation of the Chinese Federation of Labor, the Free China Labor League, and the Provincial General Labor Union. Their delegates also sit as members of the legislature of the provincial government.

The government has also carried out a tax reform and overhauled the tax collection system. The reform program went into effect on 1 January 1951. The number of distinct taxes was reduced from 20 to 11, leaving the income, inheritance, stamp, commodity, land, business, slaughter-house, entertainment and amusement, vehicle license, and household taxes.